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SUBJECT: NICARAGUA - VENEZUELA MOU FOR THE SALE OF
FERTILIZER

¶1. (SBU) Summary. As part of a series of Bolivarian Alternative agreements between Nicaraguan and Venezuela signed on January 11, 2007, the President of the Cooperative Enterprise for Agricultural Services (NICARAOCOOP) and the President of the Petrochemical Corporation of Venezuela (PEQUIVEN) signed a Memorandum of Understanding for the Provision and Distribution of Fertilizer (urea). Both parties agreed to negotiate a contract with 60 days for the provision of 40,000 MT of fertilizer from PEQUIVEN. NICARAOCOOP committed to prioritize the distribution this fertilizer under the program "Fertilizers for Life" to agricultural cooperatives and small farmers in Nicaragua or Central America. Both parties agreed to collaborate in the organization of cooperatives and the training of personnel. End Summary.

¶2. (SBU) This Memorandum of Understanding (MOU) between La Empresa Cooperativa de Servicios Agropecuarios NICARAO, R.L., (NICARAOCOOP) and La Empresa Petroquimica de Venezuela (PEQUIVEN) for the sale of urea as fertilizer, along with twelve other agreements, was negotiated by the Ortega government before it came to power on January 10, 2007. PEQUIVEN President Saul Ameliach and NICARAOCOOP President Moises Lopez signed the MOU on January 11, 2007. The substance of this MOU and other agreements with Venezuela was kept from the public for weeks, although the Embassy managed to obtain an unsigned copy. This cable reports on the substance of this MOU.

Preamble Language

¶3. (SBU) Preamble language calls attention to existing ties of solidarity and brotherhood between Venezuela and Nicaragua peoples, the need that agricultural producers have for fairly priced fertilizers to guarantee food security, and the mutual will that the Nicaraguan and Venezuelan peoples possess to create linkages of friendship and cooperation. The protagonist role played by Pequiven, as a state enterprise for social production, in the production and supply of fertilizers and hydrocarbon derivatives for Venezuela and the South American continent is recognized. Noted is the Nicaraocoop's experience has in agricultural production and processing through cooperative ventures, and in development with Pequiven of first phase of the program "Fertilizers for Life."

Article 1: Objective

¶4. (U) Article 1 outlines the objective of the MOU as strengthening a cooperative movement in Nicaragua and Central America and the establishment of a strategic alliance between

socioeconomic actors of both countries through fair trade in fertilizers under the program "Fertilizers for Life."

Article 2: Fair Trade in Fertilizer

15. (SBU) Article 2 states that both parties commit to negotiate a contract for the supply of fertilizers within 60 days of the signing of this MOU. Parties agree to undertake best efforts to meet within thirty days after having signed this MOU to discuss applicable conditions for the supply of fertilizers. The contract may include specific conditions for the sale and purchase, such as the guarantee of payment. The governing boards of both parties must agree upon conditions set forth in the contract.

16. (SBU) PEQUIVEN promises to supply approximately 40,000 MT annually of fertilizer, specifically urea at a preferential price. Shipments will be programmed in agreement with the needs of NICARAOCOOP and the availability of supply from PEQUIVEN, estimated at four shipments of 10,000 MT of fertilizer per year. Both parties will agree upon the form and conditions of payment. NICARAOCOOP will finance the payment of the first three shipments up to a maximum term of 6 months after receipt, and the fourth shipment up to 12 months. NICARAOCOOP is expected to obtain financing from Venezuelan or Nicaraguan institutions acceptable to PEQUIVEN and that guarantee payment upon delivery.

17. (SBU) NICARAOCOOP commits to distributing the urea to Nicaraguan agricultural producers at a fair retail price, recognizing that the final applied price will include the costs of purchase, storage, packing, distribution, transport, and administration. NICARAOCOOP will prioritize distribution to agricultural cooperatives and small farmers in Nicaragua. After prior written authorization from Pequiven on a case by

case basis, NICARAOCOOP may market the fertilizer at a fair price to other Central American countries, prioritizing distribution to agriculture cooperatives and small farmers, after having received for each case. PEQUIVEN must agree to any modification in NICARAOCOOP's marketing policies. NICARAOCOOP is expected to present an annual report detailing the results of the program, indicating beneficiaries, plots, and areas of distribution.

Article 3: Education and Training

18. (SBU) The parties agree to carry out cooperative activities with special attention to the following areas:

-- NICARAOCOOP commits to support PEQUIVEN in the organization and training of cooperatives, and the transfer of technology in areas requested by PEQUIVEN.

-- PEQUIVEN commits to support NICARAOCOOP with an advisory, technical assistance, and training on efficient operations for the supply, mixing, packing, quality control, transport, and marketing of fertilizers in Nicaragua and Central America.

Article 4: Promotion and Dissemination

19. (SBU) The parties agreed to carry out the following cooperative activities:

-- PEQUIVEN and NICARAOCOOP commit to disseminating the results of the program "Fertilizers for Life" in their respective spheres, and to mention the alliance in the promotion of activities.

-- PEQUIVEN and NICARAOCOOP commit to exchange promotional materials produced by one another, with the objective of maximizing their impact.

-- NICARAOCOOP is committed to develop promotion activities of this and other programs established in the framework for the Bolivarian Alternative in Central America.

Article 5: Implementation and Follow-up

¶10. (SBU) Parties will form a team for follow-up that will:

-- create technical roundtables formed by representatives of both parties for cooperative education and training, advisories, and follow-up evaluation.

-- produce reports on the advances exchanges under the MOU.

-- make proposals according to the objectives of this MOU to the signatories.

Article 6: Applicable Law, Dispute Resolution

¶11. (SBU) The MOU will be interpreted in conformity with the laws of Venezuela. Any differences in the interpretation or application of the MOU will be resolved by mutual agreement.

Article 7: Entry into Force, Duration, and Termination

¶12. (SBU) The MOU enters into force upon the date of signature and will remain in force for one year. The MOU is automatically renewed, unless one of the parties requests in writing at least 2 months before expiration of the initial agreement or respective extension to terminate it. Termination of the MOU will not affect cooperative activities initiated during the agreement unless the parties so agree.

Article 8: Other Provisions

¶13. (SBU) This MOU documents discussions and understandings, but in no way creates rights or obligations for the parties involved. Nothing in this MOU shall be interpreted as the withdrawal of rights or sovereignty over Nicaraguan or Venezuelan territories or natural resources under their respective legal systems and applicable international law. Neither party shall cede, in all or in part, this MOU without prior written approval of the other party. The parties shall not amend, modify, or otherwise alter this MOU without the prior written consent of the other.

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